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Canada

Grain and Feed

Quarterly report

2006

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Report Highlights:
For 2006/2007, total wheat production is forecast to decline slightly to 26.6 MMT as normal yields are not expected to be sufficient to offset forecasted increases in total acreage seeded and harvested. Durum production is forecast to decline to 4.5 MMT, as seeded acreage and yields decline. Barley production is forecast to increase to 12.8 MMT, due to an increase in seeded acreage. Corn production is forecast to decline to 8.8 MMT, due to lower yields. Oat production is forecast to increase to 3.8 MMT, as seeded acreage increases. Based on the assumption that the countervailing and anti-dumping duty will remain on U.S. corn imports, total corn imports for 2006/2007 are forecast to decline to 1.7 MMT. The duties are expected reduce feed use and industrial use of corn in Canada, thereby reducing the need to import corn.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
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QUARTERLY GRAIN AND FEED UPDATE

With the cost of production continuing to climb, producers are looking towards maximizing their returns by planting crops with lower input costs. Based on the current crop prices and the fact that cereal crops generally have lower input costs, acreage for crops like non-durum wheat, barley and oats are forecast to increase in the 2006/2007 crop year. Durum wheat will buck the trend, as burdensome world supplies continue to hurt prices. Corn production is forecast to increase based on the assumption that the duties on U.S. corn imports will remain in place (see CA5085).

Total Wheat

Total Canadian wheat production for 2005/2006 increased by 3.5% to 26.8 million metric tons (MMT), as higher yields offset a decline in harvested acreage. Increased production in Saskatchewan and Alberta helped offset the decline in production in Manitoba. Poor harvest conditions reduced the quality of the wheat crop, with approximately 18% of the spring wheat crop in Saskatchewan expected to grade No.1. This is significantly lower than the 10-year average of 53%, but higher than the 6% from the 2004/2005 crop year. The quantity of the overall wheat crop falling into the top grades was below normal, but higher than in 2004/2005. As a result, there was a larger supply of milling quality wheat. This is expected to translate into an increase in exports - from 14.9 MMT in 2004/2005 to 16.6 MMT in 2005/2006. Domestic consumption is expected to increase slightly to 9.3 MMT, as the lower quality wheat is utilized by the livestock industry. The large carry-in stocks from 2004/2005, combined with the jump in production, are expected to result in another increase in 2005's ending stocks.

Total Canadian wheat production for 2006/2007 is forecast to decline to 26.6 MMT, despite an increase in acreage, as yields are expected to return to trend levels. As a result of high carry-in stocks from 2005 and strong production, total wheat supplies are forecast to increase by approximately 3.0% to 36.1 MMT in 2006. Exports are forecast to increase to 17.5 MMT as the quality of the 2006 wheat crop is forecast to return to more normal levels, which will leave more high-quality wheat available for export. In addition, the expected removal of duties on Canadian hard red spring wheat exports into the U.S. and the negative impact of the harsh winter on Russian winter wheat, are expected to provide additional export opportunities for Canadian wheat producers. Domestic wheat consumption is also forecast to increase as the use of wheat in livestock rations is projected to increase slightly. The increase in exports and the slight increase in domestic consumption are forecast to help reduce wheat ending stocks slightly in 2006 to 9.1 MMT.

Winter wheat production is forecast to increase across Canada. For the 2006/2007 crop year, Ontario winter wheat seed acreage has increased to 1.1 million acres up from 830,000 acres in 2005. In addition, winter wheat seed acreage in has also increased in Saskatchewan and Manitoba. With the tariffs on U.S. corn imports, feed use of winter wheat in Ontario is expected to increase. Exports of winter wheat from Ontario are expected to remain relatively unchanged from 2005.

Durum Wheat

Canadian durum production for 2005/2006 increased by 19.2% to 5.9 MMT, due to increased harvested acreage and increased yields. Durum production increased in all three Prairie Provinces, with production in Saskatchewan increasing the most. Despite this, durum quality was impacted by the challenging weather conditions at harvest time. In Saskatchewan, approximately 26% of the crop is expected to grade No. 1, which is higher than the 6% in the 2004/2005 crop year, but lower than the 10-year average of 38 percent. High carry-in stocks and high production resulted in a 25% increase in total durum supplies to 8.4 MMT in 2005/2006. Durum exports in 2005/2006 are expected to increase to approximately 3.7 MMT as a result of increased world demand and a larger supply of higher quality durum in comparison to the 2004/2005 crop year. Decreased production in North Africa has increased its durum import demands. However, the forecasted increase in exports and domestic consumption is not expected to be enough to offset the large supply of durum, resulting in an approximate 40% increase to 3.5 MMT for the 2005/2006 ending stocks.

Canadian durum production is forecast to decrease in 2006/2007 to 4.5 MMT, due to a return to trend yields and a decline in seeded acreage. The large ending stocks from the 2005/2006 crop year, combined with production, will maintain total durum supplies at a high level. Durum exports are forecast to decline in 2006, due to lower world import demand, increased competition and burdensome

world supplies of durum that are depressing prices. The increase in barley production will also help displace some use of lower quality durum in the livestock market, resulting in a forecasted decrease in domestic durum consumption. Due to this forecasted lower domestic consumption, a decline in exports and large carry-in stocks, the 2006/2007 durum ending stocks are forecast to remain high at 3.5 MMT.

Barley

Canadian barley production for 2005/2006 declined by 5.3% to 12.5 MMT, due to an overall decrease in yield and harvested acreage. In Alberta, a slight increase in yield was not sufficient enough to offset a decline in harvested area, resulting in a 4.6% decline in barley production to 5.6 MMT in the 2005/2006 crop year. Barley production in Manitoba decreased 50.2% to 681,500 metric tons (MT), due to excessive moisture in the province. Saskatchewan was the only bright spot on the Prairies, with a slight increase in yield and harvested area, resulting in 6.7% increase in barley production to 5.3 MMT in 2005/2006. However, the poor harvesting conditions in Saskatchewan and Alberta resulted in a barley crop that was below average in quality, thereby increasing the already abundant supply of feed barley on the Prairies. Due to a decline in 2005/2006 barley production in the Black Sea region, 2005/2006 Canadian barley exports are expected to increase. Lower U.S. barley production is expected to benefit Canadian barley producers. Canadian domestic barley consumption continues to increase, as livestock producers shift back from feed wheat to feed barley and continued growth in the livestock industry fuels feed demand. As a result, total domestic consumption for 2005/2006 is expected to increase to approximately 10.9 MMT. Due to the increase in exports and domestic consumption and the decline in production, barley ending stocks for 2005 are expected to drop to 3.0 MMT.

Canadian barley production in 2006/2007 is forecast to increase to 12.8 MMT, due to an increase in seed acreage. Yields are forecast to return to more normal levels and be lower than in 2004 and 2005. The malt barley crop is forecast to be higher in 2006, based on the assumption of normal crop quality. As a result of this and increased demand from China and South America, 2006 malt barley exports are forecast to increase in 2006 to more than 1.0 MMT. However, the forecasted increase in malt barley exports will not offset the decrease in feed barley exports in 2006, resulting in a forecasted decline of total barley exports to 1.9 MMT, a 9.5% decrease. The forecasted decline in feed barley exports is due to increased demand from the Canadian livestock sector, higher domestic prices, and increased competition from Australia. Domestic consumption of barley is forecast to increase in 2006 to 11.7 MMT, as a larger quantity of feed barley is utilized by the growing livestock industry at the expense of corn. In addition, the imposition of tariffs on U.S. corn imports is forecast to result in an increased movement of feed barley from western Canada to eastern Canada. As a result of the increase in domestic consumption and lower carry-in stocks, barley ending stocks are forecast to decline to 2.3 MMT in 2006.

Corn

Canadian corn production in 2005/2006 increased by 7.2% to 9.4 MMT, as a result of overall higher yields and a slight increased in harvested acreage. Higher yields in Ontario helped offset the decline in that province's harvested acreage, driving production up 8.1% to 5.8 MMT. Corn production in Quebec remained unchanged in 2005. Although Manitoba corn acreage was once again negatively impacted by poor weather conditions, production dramatically increased from 17,800 MT in 2004 to 211,500 MT in 2005 due to increased harvested acreage and higher yields. Corn imports in 2005 are forecast to decline to 2.0 MMT, due to the increase in production, large carry-in stocks, and tariffs on U.S. corn imports. Total domestic consumption of corn is expected to increase as the ethanol industry in Ontario continues to expand production, drawing from this year's large supply, and the livestock sector replaces western feed grains with corn. Due to the forecasted decline in imports and the expected increase in domestic corn consumption, corn ending stocks are forecast at 1.5 MMT.

Despite a forecasted increase in seeded acreage, Canadian corn production is forecast to decline in 2006/2007 to 8.8 MMT as a result of lower yields. Based on the assumption that the countervailing and anti-dumping duties will remain on U.S. corn imports at the provisional level currently set, overall imports are forecast to decline to 1.7 MMT in 2006. If the duties remain, but are lowered, imports of U.S. corn are forecast to be even smaller than in 2005/2006, due to the delayed effect that the duties are having on purchasing decisions. The use of corn in livestock rations is also forecast to decline as a

result of the tariffs, with feed grains from western Canada expected to fill the void – a reversal from 2005/2006. The duty on U.S. corn may also result in a decline in ethanol production, as domestic corn supplies are drawn down and imports are reduced, and is expected to further contribute to the decline in domestic consumption and imports. Corn ending stocks are forecast to fall to 1.3 MMT, in spite of the forecasted decline in domestic consumption, due to the offsetting factors of lower production and imports. The 2006/2007 total supply of corn is forecast at 12.0 MMT, a 9.6% decrease for these same reasons.

Oats

Canadian oat production in 2005/2006 declined by 7% to 3.4 MMT, as lower yields offset the increase in harvested acreage. Production in Manitoba was dramatically impacted by poor weather conditions, dropping the production estimate to 440,700 MT, the lowest production estimate since 1991 and a 51% decline from the 2004/2005 crop year. Lower harvested acreage and a small decline in yield also reduced oat production in Alberta to 859,000 MT. An increase in the harvested acreage and record high yields helped drive Saskatchewan's oat production to 1.7 MMT in 2005/2006, helping to somewhat offset the decline in production in Manitoba. Oat exports in 2005/2006 are expected to decline slightly to 1.25 MMT due to lower U.S. import demands. Domestic consumption is forecast to increase slightly due to strong demand from both the livestock sector and the domestic food industry.

Canadian oat production in 2006/2007 is forecast to increase to 3.8 MMT, as a result of an increase in harvested acreage across the Prairie Provinces and the expectation of the return of normal yields. Acreage and production numbers in Manitoba are also expected to return to more traditional levels in 2006/2007, due to lower production costs and stronger prices. Exports are forecast to increase to 1.4 MMT, due to increased import demand from the U.S. and the expectation of increased supplies of milling quality oats. Domestic consumption is also forecast to increase, due to a forecasted increase in demand for oats for feed use. However, the increase in both domestic consumption and exports for 2006/2007 will not be enough to offset the increase in production and ending stocks are forecast to increase only slightly to 1.0 MMT.

STATISTICAL TABLES

Table 1: Wheat PSD

PSD Table

Country **Canada**

Commodity **Wheat** (1000 HA)(1000 MT)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	A Official [	Estimate[N	A Official [	Estimate[New]	
Market Year Begin		08/2004		08/2005		08/2006	MM/YYYY
Area Harvested	9862	9862	9830	9826	0	10530	(1000 HA)
Beginning Stocks	6080	6080	7992	7992	9342	9167	(1000 MT)
Production	25860	25860	26800	26775	0	26640	(1000 MT)
TOTAL Mkt. Yr. Imports	248	244	250	270	0	270	(1000 MT)
Jul-Jun Imports	247	243	250	270	0	270	(1000 MT)
Jul-Jun Import U.S.	174	170	0	190	0	190	(1000 MT)
TOTAL SUPPLY	32188	32184	35042	35037	9342	36077	(1000 MT)
TOTAL Mkt. Yr. Exports	14966	14878	16500	16600	0	17500	(1000 MT)
Jul-Jun Exports	15142	15048	16500	16600	0	17500	(1000 MT)
Feed Dom. Consumption	5012	5100	5000	4800	0	4900	(1000 MT)
TOTAL Dom. Consumpti	9230	9314	9200	9270	0	9470	(1000 MT)
Ending Stocks	7992	7992	9342	9167	0	9107	(1000 MT)
TOTAL DISTRIBUTION	32188	32184	35042	35037	0	36077	(1000 MT)

Table 2: Durum Wheat PSD

PSD Table

Country Canada
Commodity Wheat, Durum

(1000 HA)(1000 MT)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	A Official [	Estimate[I	A Official [	Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Harvested	0	2141	0	2297	0	2100	(1000 HA)
Beginning Stocks	0	1788	0	2521	0	3537	(1000 MT)
Production	0	4962	0	5915	0	4500	(1000 MT)
TOTAL Mkt. Yr. Imports	0	1	0	1	0	1	(1000 MT)
Jul-Jun Imports	0	1	0	1	0	1	(1000 MT)
Jul-Jun Import U.S.	0	1	0	1	0	1	(1000 MT)
TOTAL SUPPLY	0	6751	0	8437	0	8038	(1000 MT)
TOTAL Mkt. Yr. Exports	0	3179	0	3650	0	3450	(1000 MT)
Jul-Jun Exports	0	3418	0	3600	0	3450	(1000 MT)
Feed Dom. Consumption	0	500	0	750	0	700	(1000 MT)
TOTAL Dom. Consumpti	0	1051	0	1250	0	1088	(1000 MT)
Ending Stocks	0	2521	0	3537	0	3500	(1000 MT)
TOTAL DISTRIBUTION	0	6751	0	8437	0	8038	(1000 MT)

Table 3: Barley PSD

PSD Table

Country Canada
Commodity Barley

(1000 HA)(1000 MT)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	A Official [	Estimate[I	A Official [	Estimate[New]	
Market Year Begin		08/2004		08/2005		08/2006	MM/YYYY
Area Harvested	4050	4050	3890	3890	0	4200	(1000 HA)
Beginning Stocks	2102	2102	3489	3489	3219	3000	(1000 MT)
Production	13186	13186	12500	12481	0	12800	(1000 MT)
TOTAL Mkt. Yr. Imports	75	83	30	50	0	50	(1000 MT)
Oct-Sep Imports	75	86	30	50	0	50	(1000 MT)
Oct-Sep Import U.S.	0	86	0	45	0	45	(1000 MT)
TOTAL SUPPLY	15363	15371	16019	16020	3219	15850	(1000 MT)
TOTAL Mkt. Yr. Exports	1167	1168	2000	2100	0	1900	(1000 MT)
Oct-Sep Exports	1476	1469	2000	2100	0	1900	(1000 MT)
Feed Dom. Consumption	9200	9400	9200	9700	0	10200	(1000 MT)
TOTAL Dom. Consumpti	10707	10714	10800	10920	0	11650	(1000 MT)
Ending Stocks	3489	3489	3219	3000	0	2300	(1000 MT)
TOTAL DISTRIBUTION	15363	15371	16019	16020	0	15850	(1000 MT)

Table 4: Corn PSD

PSD Table

Country Canada
Commodity Corn

	2004	Revised	2005	Estimate	2006	Forecast	(1000 HA)(1000 MT) UOM
	USDA Official [	Estimate[N	A Official [	Estimate[I	A Official [	Estimate[New]	
Market Year Begin		09/2004		09/2005		09/2006	MM/YYYY
Area Harvested	1072	1072	1096	1096	0	1150	(1000 HA)
Beginning Stocks	1143	1143	1716	1802	1536	1500	(1000 MT)
Production	8840	8836	9470	9470	0	8800	(1000 MT)
TOTAL Mkt. Yr. Imports	2371	2388	2000	2000	0	1700	(1000 MT)
Oct-Sep Imports	2237	2274	2000	2000	0	1700	(1000 MT)
Oct-Sep Import U.S.	2236	2272	0	2000	0	1700	(1000 MT)
TOTAL SUPPLY	12354	12367	13186	13272	1536	12000	(1000 MT)
TOTAL Mkt. Yr. Exports	238	238	150	200	0	200	(1000 MT)
Oct-Sep Exports	244	244	150	200	0	200	(1000 MT)
Feed Dom. Consumption	8000	8200	9000	9000	0	8000	(1000 MT)
TOTAL Dom. Consumpti	10400	10327	11500	11572	0	10500	(1000 MT)
Ending Stocks	1716	1802	1536	1500	0	1300	(1000 MT)
TOTAL DISTRIBUTION	12354	12367	13186	13272	0	12000	(1000 MT)

Table 5: Oat PSD

PSD Table

Country Canada
Commodity Oats

	2004	Revised	2005	Estimate	2006	Forecast	(1000 HA)(1000 MT) UOM
	USDA Official [	Estimate[N	A Official [	Estimate[I	A Official [	Estimate[New]	
Market Year Begin		08/2004		08/2005		08/2006	MM/YYYY
Area Harvested	1315	1315	1330	1326	0	1500	(1000 HA)
Beginning Stocks	788	800	988	988	858	900	(1000 MT)
Production	3683	3683	3350	3432	0	3800	(1000 MT)
TOTAL Mkt. Yr. Imports	20	26	20	20	0	20	(1000 MT)
Oct-Sep Imports	20	19	20	20	0	20	(1000 MT)
Oct-Sep Import U.S.	0	19	0	20	0	20	(1000 MT)
TOTAL SUPPLY	4491	4509	4358	4440	858	4720	(1000 MT)
TOTAL Mkt. Yr. Exports	1319	1319	1300	1250	0	1400	(1000 MT)
Oct-Sep Exports	1374	1374	1300	1250	0	1400	(1000 MT)
Feed Dom. Consumption	1569	1569	1500	1750	0	1800	(1000 MT)
TOTAL Dom. Consumpti	2184	2202	2200	2290	0	2320	(1000 MT)
Ending Stocks	988	988	858	900	0	1000	(1000 MT)
TOTAL DISTRIBUTION	4491	4509	4358	4440	0	4720	(1000 MT)

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